

Message Text

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IO-13 AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
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SOE-02 /130 W

-----005725 271022Z /14/11

R 260905Z MAY 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 2091
INFO AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY NICOSIA
AMEMBASSY PARIS
AMCONSUL ADANA
AMCONSUL ISTANBUL
AMCONSUL IZMIR
USDOCOSOUTH
USDOCOLANDSOUTHEAST
CINCUSAFE

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 4034

C O R R E C T E D C O P Y (TEXT CORRECTED)

USEEC, USOECD

E.O. 11652: GDS
TAGS: PINT, EFIN, IMF, TU
SUBJECT: POLITICAL TRENDS ANALYSIS: DOMESTIC POLITICAL EFFECTS OF
TURKEY'S ECONOMIC PROBLEMS

REF: POLITICAL REPORTING PLAN FOR TURKEY

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SUMMARY: THE ECONOMIC CRISIS IN TURKEY PRESENTS
ECEVIT AND HIS GOVERNMENT WITH POLITICAL AS WELL AS STRICTLY
ECONOMIC PROBLEMS. THUS FAR THE DECISIONS MADE HAVE NOT
CAUSED SERIOUS REACTIONS IN THE POLITICAL CONTEXT, BUT THE
PITFALLS ARE MANY AS NEW MEASURES ARE NEEDED TO IMPLEMENT
THE ECONOMIC RECOVERY PROGRAM AND TO SPREAD THE BURDENS
EQUITABLY. END SUMMARY

1. AS A POLITICIAN, PRIMIN ECEVIT SEES VERY LIKELY SEES THE ECONOMIC PROBLEMS HE INHERITED AS NOT ONLY ECONOMIC BUT ALSO POLITICAL PROBLEMS--AS THREATS TO TURKEY'S DEMOCRATIC STABILITY, TO ITS NATIONAL SECURITY, TO ITS INTERNATIONAL ROLE, AND TO HIS OWN POLITICAL FUTURE. ON THE LATTER POINT, THE ECONOMIC PROBLEMS FACE ECEVIT WITH A POLITICAL SCYLLA AND CHARYBDIS: IF HE DOES NOT ACT STERNLY AND QUICKLY ENOUGH TO SUCCEED IN BRINGING THE PROBLEMS UNDER CONTROL, HE STANDS TO BE BLAMED FOR THE CONSEQUENCES; IF HE SUCCEEDS IN CONTROLLING THE PROBLEMS AT THE COST OF IDENTIFYING HIMSELF AND HIS PARTY WITH AUSTERITY AND HIGH PRICES, HE MAY BE HURT EVEN WORSE.

2. THIS DILEMMA IS NOT EASED BY THE FACT THAT ECONOMIC PROBLEMS ARE NOT THE VOTERS' ONLY WORRIES NOR THE ONLY ITEMS ON THE ECEVIT GOVERNMENT'S AGENDA. SIMULTANEOUSLY WITH THE ECONOMIC STRUGGLE, ECEVIT IS ENGAGED AT HOME IN TRYING TO MAKE GOOD ON HIS PLEDGE TO END DOMESTIC POLITICAL VIOLENCE, WHILE ABROAD HE IS SEEKING RESOLUTIONS OF MAJOR FOREIGN POLICY PROBLEMS. BUT OF TURKEY'S "BIG THREE" PROBLEMS, THE VOTERS CLEARLY ARE GRIPING MORE ABOUT INFLATION AND DOMESTIC SECURITY--WHICH AFFECT THEM CLOSELY AND DIRECTLY--THAN ABOUT FOREIGN POLICY; AND WHILE ECEVIT SEEMS ABLE TO RELY ON A STRONG CONSENSUS FOR HIS CYPRUS "PEACE OFFENSIVE", HIS POPULAR SUPPORT FOR ACTION ON THE OTHER TWO PROBLEM AREAS SEEMS LESS

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DEFINED.

3. SO FAR, HOWEVER, ECEVIT'S ECONOMIC POLICY DECISIONS HAVE RAISED ONLY TWO POLITICAL ISSUES, NEITHER OF WHICH APPEARS TO HAVE HURT HIM SERIOUSLY YET. THE FIRST, THE IMF AGREEMENT, WAS MADE INTO AN ISSUE BY THE OPPOSITION, WHICH CHARGED THAT THE GOVERNMENT DOES NOT SEEM TO HAVE BEEN DAMAGED BY THE CHARGES. THE SECOND ISSUE--WHICH BY ORIGIN IS RELATED TO THE FIRST, BUT HAS A DIFFERENT POLITICAL IMPACT--CONSISTS OF THE PRICE INCREASES AND DEVALUATION. THIS POTENT ISSUE NATURALLY HAS BEEN THE FOCAL POINT OF MUCH INDIVIDUAL DISSATISFACTION, BUT IT HAS YET TO PRODUCE A STRONG WAVE OF ACTIVE PROTESTS. ON BOTH THESE ISSUES, ECEVIT SEEMS TO HAVE BEEN AIDED BY SEVERAL FACTORS:

- A. AUSTERITY MEASURES WERE WIDELY EXPECTED IN VIEW OF THE SERIOUSNESS OF THE SITUATION;
- B. PRICE INCREASES AND DEVALUATION HIT THE VARIOUS SECTORS OF THE SOCIETY MORE OR LESS EQUALLY IN PROPORTION TO THEIR ACCUSTOMED CONSUMPTION PATTERNS, AND NO PATENT INJUSTICE WAS DONE TO ANY ONE SEGMENT;
- C. TRADITIONAL TURKISH WILLINGNESS TO BEAR BURDENS AND ENDURE HARDSHIPS;

D. GROWING CRITICISM FROM THE OPPOSITION, PARTICULARLY FORMER PRIMIN DEMIREL, APPARENTLY SERVED MORE TO EMPHASIZE THE DIFFICULTIES OF SOLVING THE PROBLEMS THAN TO LESSEN CONFIDENCE IN ECEVIT'S ABILITY TO COPE WITH THE SITUATION;

E. MANY VENTED THEIR FRUSTRATIONS ON SUCH CONVENIENT TARGETS AS "THE MIDDLEMEN". "FOREIGN INFLUENCES" AND "THE MISTAKES OF THE PAST".

4. BUT, AS HE MOVES FORWARD TO TACKLE THE NATION'S REVENUE NEEDS, ECEVIT WILL ENCOUNTER MORE DIVERSE POLITICAL REACTIONS. HE HAS PROMISED EQUITY IN THE DISTRIBUTION OF THE BURDENS AND IS COUNTING ON TAX REFORM TO REDRESS IMBALANCES. THE VARIOUS SECTORS OF THE SOCIETY, HOWEVER, ARE BEGINNING TO LOOK MORE TO THEIR OWN INTERESTS AND TO REACT SWIFTLY TO ANY REAL OR
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SUPPOSED INEQUITIES:

A. THE TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION (TUSIAD), INFLUENTIAL ISTANBUL-BASED ORGANIZATION WHICH SPEAKS FOR BIG BUSINESS, HAS EXPRESSED UNEASINESS WITH THE GOVERNMENT'S ECONOMIC POLICIES AND DESCRIBED THE PROPOSED TAX REFORM BILL AS INFLATIONARY, UNPRODUCTIVE, OBSTRUCTIONIST AND UNCREATIVE;

B. THE FEDERATION OF SMALL BUSINESSMEN AND ARTISANS SIMILARLY COMPLAINED OF THE HEAVY BURDENS THE NEW TAX BILL WILL INFLICT ON ITS MEMBERS AND CLAIMED THE BILL IS DEPRIVED OF SOCIAL CONTENT;

C. TRADE UNION REACTIONS TO ECEVIT'S CALL FOR WAGE RESTRAINTS INITIALLY WERE HIGHLY CRITICAL, ALTHOUGH SUBSEQUENTLY THE CONFEDERATION OF TURKISH TRADE UNIONS (TURK-IS) AGREED TO ENTER INTO BILATERAL TALKS WITH THE GOVERNMENT TO SEEK MEANS TO HOLD DOWN CONTRACT DEMANDS AND TACKLE PRICE AND RENT INCREASES AND RELATED PROBLEMS;

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OPIC-03 LAB-04 SIL-01 OMB-01 IO-13 STR-07 AGRE-00

DOE-15 SOE-02 /130 W

-----124373 261133Z /11

R 260905Z MAY 78

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AMCONSUL ISTANBUL

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USDOCOSOUTH

USDOCOLANDSOUTHEAST

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C O N F I D E N T I A L SECTION 2 OF 2 ANKARA 4034

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D. PUBLIC MORALE, DESPITE A HIGH LEVEL OF TOLERANCE FOR DISCOMFORT, IS SENSITIVE IN THE FACE OF THE 50 PERCENT INFLATION RATE AND SHARPLY DECLINING PURCHASING POWER;

E. INDUSTRIAL RELATIONS CONTINUE TO BE STRAINED AS WORKERS SEEK TO MAINTAIN THEIR REAL WAGE LEVELS, AND WAGE DISPUTES ARE ERUPTING INTO STRIKES AND/OR WORK SLOWDOWNS MORE FREQUENTLY;

F. FARMERS ARE DISSATISFIED WITH THE LEVELS OF SUPPORT PRICES.

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5. TO CONTAIN THESE DOMESTIC POLITICAL REACTIONS, ECEVIT CLEARLY WILL NEED ALL THE HELP HE CAN GET. ANY SHORT-TERM SUCCESS HE CAN CLAIM FOR HIS ECONOMIC MEASURES WOULD BE A GREAT HELP--ESPECIALLY IF PRICE INCREASES CAN BE SLOWED. SUCCESSES IN OTHER AREAS, INCLUDING FOREIGN POLICY, WOULD ALSO ASSIST IN DEMONSTRATING THE GOVERNMENT'S COMPETENCE AND IN STRENGTHENING PUBLIC CONFIDENCE. MEANWHILE, ECEVIT WILL NEED TO DEFEND HIMSELF BY TRADITIONAL DEBATING TACTICS IN THE POLITICAL ISSUES THAT ARISE. ONE FACTOR THAT COULD BE HELPFUL TO HIM IN DEBATE IS THAT HIS TAX REFORMS APPARENTLY WOULD WORK TO THE BENEFIT OF THE MAJORITY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC TRENDS, POLITICAL SITUATION, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA04034
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780227-0861
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780517/aaaaanln.tel
Line Count: 221
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: 8d6c3096-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2559154
Secure: OPEN
Status: NATIVE
Subject: POLITICAL TRENDS ANALYSIS: DOMESTIC POLITICAL EFFECTS OF TURKEY'S ECONOMIC PROBLEMS
TAGS: PINT, EFIN, TU, IMF
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8d6c3096-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014